GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:83
ANSWERED ON:24.11.2000
NEW PRIVATE SECTOR BANK
GORDHANBHAI JAVIA

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India have set up a High Level Committee during 1998to review the norms for allowing entry of new private sector banks;

(b) whether the Committee have since submitted its report;

(c) if so, the details of the recommendations;

(d) the recommendations which have been accepted and implemented so far; and

(e) the time by which other recommendations are likely to be implemented?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE {SHRI BALASAHEB VIKHE PATIL);

(a) and (b) Yes, Sir.

(c) Some of the important recommendations made by the committee are:-

(i) Encouraging entry of new banking institutions in order to increase credit flow and generate competition in banking sector to provide efficient financial services;

(ii) Enhancement of initial capital requirement from Rs. 100 crore to Rs. 300 crore andachieving Capital to Risk Weighted Assets Ratio (CRAR) at 10% from the beginning;

(iii)Clearly defining `promoters` and `promoter group`;

(iv) Validity of in-principle approval for setting up the bank be restricted to one year;

(v)The current restriction/limit on voting rights of 3m9j} ~ the share-holders to be removed, as it is restrictive and dampens the interest of corporate willing to bring in required capital for setting up tho bank;

(vi) Removing restrictions of three years of operations before new private sector banks can access market;

(vii) Priority sector lending to be brought down from 40% to 32% as for foreign banks;

(viii) Maintenance of arms length relationship by the promoter group with the new bank to be set up etc.; and

(ix) Allowing NBFCs to convert into Banks subject to their fulfilling prescribed criteria.

(d) and (e) RBI is yet to finalise their views on the recommendations. No time frame can be indicated.